453 by incorporating post offices into the agency network of the People's Bank of China. The 30,000 agencies throughout the country in early 1953 handled remittances of unrestricted amounts[10] at a negligible fee, from 1/1,000 to 5/10,000 of the value of the remittance transferred within a province, and twice these fees for a remittance transferred between provinces. Payments in the five cities of Peking, Tientsin, Shanghai, Hankow, and Canton are made free of any fee; in many places mobile bank-service teams furnish cash pickup service; in rural areas remittance service is available twenty-four hours a day. At the same time, cash permitted to be carried while traveling is limited to PB$ 1 million (about US$ 40).

454 Savings deposits are also vigorously promoted by the People's Bank for the dual purpose of checking inflation and channeling idle funds to industry and agriculture. In areas of concentrated population, industry, or governmental activity, small offices handle savings; in areas of scattered population, mobile service teams solicit savings from house to house. Current savings draw high interest rates of 5.1 per cent to 5.4 per cent per annum; fixed deposits pay from 9 per cent to 14.4 per cent. Reports in early 1954 place the total amount of deposited

10. Ibid., pp. 55-56.

1:Stanford U. S-4, 5 1956 AF15 East China
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454 savings in the country at PB$11,348 billion (about US$ 453 million); the amount in East China at the end of February 1954, was PB$1,310 billion (about US$ 52 million), 8.6 per cent of the total. Rural savings were 38 per cent as against 62 per cent in urban areas, suggesting that there is a lack of surplus purchasing power in rural areas.[11]

When the state grain monopoly was established in 1953, and the cotton monopoly in 1954, peasants were encouraged to deposit their sales proceeds with the People's Bank or with credit co-operatives. Interest rates of 18 per cent per annum for deposits under three months and 24 per cent for those over three months were offered, but these were reduced to 14.4 per cent for the former and 18 per cent for the latter.[12] Few savings were attracted by this policy, particularly in East China; of the proceeds of the 1954 harvest, only 5 per cent was deposited by the farmers of Kiangsu Province, which had been considered the richest province in the region.

B. Credit Control

452 After all private and foreign banks were, in effect, eliminated and all bank credit had been

11. Jen-min Jih-pao [People's Daily], Peking, Jan. 25, 1954, March 3, 1955; Ta-kung Daily, Feb 12, 1954.

12. People's Daily, Nov. 20, 1953.

465 piece rates) per month.[28]

the workers of Communist China were told to increase production, but an increase in earnings lagged far behind the increase in production. In the case of the Huai-nan Coal Mine, gross earnings increased only 30 per cent in 1952 above earnings in the previous year, and this was at a time when the industrial output of local and private enterprises had been doubled. Average labor productivity in the East China Region in the first six months of 1952 was reported to be 169 per cent above that of 1949.[29]

434 The Chinese Communists assert that the
465 increase in earnings is reflected in the increase of purchasing power and the standard of living. In East China, purchasing power in 1952 was reported to be 40 per cent higher than in 1950.[30] In Shanghai, the supply of consumer goods in 1952 was more than twice that of 1951. In Nanking, the volume of retail business in the first months of 1952 was 44 per cent higher than the volume reported for the corresponding period in 1951.[31]

454 It is true that the earnings of Chinese work-
465 ers have increased since 1952, but gross income

28. Basil Davidson, Daybr. k in China, London, 1953, pp. 100-106.

29. Ibid., pp. 84-85.

30. Economic Bulletin, Hong Kong, February 24, 1953, p. 10.

31. Ibid., September 8, 1953, p. 6; Oct. 20, 1953, p. 2.

465 454 has been subjected to various deductions -- union fees, "voluntary" contributions, and the compulsory purchase of government bonds. For example, the employees of all publicly owned enterprises in Shanghai and Tsingtao "voluntarily" gave up their New Year's bonuses in January 1950 after the Government Administration Council asked them to help the nation increase its capital for national construction.[32] Trade unions urged workers in private enterprises to do the same. When the Communist government issued Victory Bonds in early 1950, 45,000,000[33] points were allocated to the East China Region. Activists and union cadres initiated the sale among the workers. On December 20, 1949, the workers in the Electric Power Company in Shanghai pledged 1,070 points. Seamen in Shanghai bought 10,000 points within two weeks in January, 1950 and pledged to buy bonds to a total of 100,000 points in that year.[34] During the Resist-America-Aid-Korea Movement, workers in Shanghai, Nanking, Tsinan, and Tsingtao contributed a large amount to the war fund.

In mid-1953, the Chinese Communists forced workers to deposit anywhere from 25 to 30 per cent of their monthly income in the local People's Bank.[35] The People's Bank in Shanghai

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32 Workers' Daily, Feb. 1, 1950, p. 4.

33 One point consists of the total values of 6 catties of rice (one catty equals 1.10 lbs.), one catty of flour, 4 chih of cotton cloth (one chih equals 1.09 feet) and 10 catties of coal. See Workers' Daily, Dec. 31, 1949, p. 4.

34 Ibid., Dec. 20, 1949, p. 4; Jan. 14, 1950, p. 4.

35 China Weekly, Jan. 4, 1954, p. 41.

465 revealed that in 1951 the bank had nearly six
454 times as many depositors as in 1950, and the majority of these depositors were industrial workers.[36] The increase of deposits was not necessarily an indication of an increase in earnings; it represents the system of "compulsory savings" which the Communists used to prevent inflation and to cope with the scarcity of consumer goods in Communist China. After "voluntary" contributions and compulsory savings, there was little money left for the workers to spend. Accordingly, the Communist reports of an increase in the standard of living are somewhat suspect.

VII. LABOR WELFARE

A. Labor Insurance and Health

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466 The Chinese Communist promulgated Labor Insurance Regulations in March 1951 and revised them in January 1953. At first, they were applied only to enterprises employing one-hundred or more workers. After revision, the regulations were broadened to provide insurance for small enterprises. By the end of 1954, more than 5,380,000 workers in Mainland China had been insured against losses caused by death, old age, illness, and disability.[37] Workers' hospitals, sanitoriums, rest homes, and creches were established under the labor insurance regulations.

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36. NCNA, Shanghai, October 7, 1954.
37. People's China, May 1, 1955, pp. 3-5.

2: Murphy G-4 (no date) 1953 AF15 East China AF15

INTRODUCTORY

369 177 Shanghai is the centre of our higher civilization and Christian influence for all of China. We are here in the midst of a people proud and prejudiced in favour of their ancient line of things, and what have we introduced amongst them, for their benefit as well as our own? We might well point to the English homes we have formed here. . . How different is this from what we know to be characteristic of Chinese homes? In front also we have these beautiful *hongs* (trading firms) for the transaction of business, and we may especially remark the Supreme Court, distinguished by the just and equitable conduct of legal matters, in striking contrast to what is represented to us as existing in other places. In short, look at the *tout ensemble* of the Settlement — houses and streets lit with gas and electricity, streams of pellucid water flowing in all directions, and sanitary arrangements according to the best medical advice. We have steamers, telegraphs, and telephones in communication with all the world; there are cotton and paper mills and silk filatures of Foreign invention, and last but not least, railways in the north as pioneers of what will yet be found all over China. Law and order are admirably preserved in the midst of 200,000 people at the instance of our own judicial and municipal authorities. . .[2]

369 441 454 177 In the same year, the (British) Commissioner of Customs at Shanghai wrote a trade report for a jubilee volume published by the *Shanghai Mercury* in which he also emphasized the prominence of Shanghai, but in which he expressed rather different views on other matters. The two sets of remarks are interesting to compare when viewed from sixty years later:

> Chinese merchants are inclined more and more each year to make Shanghai an emporium for the trade of north China and to use the northern coast and river ports simply as landing places for such goods as may be necessary to supply the immediate needs of their districts. The largest native mercantile houses in China are all represented here. . . Chinese capital is being largely invested, not only in . . . purely native establishments . . . but also in companies established by foreigners and under foreign directorate . . . at least 40 per cent of the shares of some foreign companies are held by Chinese . . . (as well as) a considerable portion of deposits in local banks. . . Chinese capital is invested in foreign-flagged steamers, and of course a large amount is sunk in the shares of the China Merchants Steam Navigation Company. . . Having said so much, it should not surprise anyone if I express the opinion that probably in future Shanghai will furnish no such favourable opportunities

2: Murphy G-4 (no date) 1953 AF15 East China AF15

for the investment of foreign capital as it has done in the past. . . To sum up, I think the future of Shanghai depends on China and the Chinese and their interests and that foreigners would be wise to run with them.[3]

The Commissioner and the missionary were in effect saying the same thing, although in different ways — that the most important thing about Shanghai was its relation to China; and that the city contained the seeds of great change for the entire country.

While it lasted, foreign Shanghai was an exciting and colorful place which travel folders could not exaggerate. It was for instance justly famous as one of the wickedest cities in the world, and we have the testimony of a duke for that as early as 1869. Following his visit to Shanghai, the Duke of Somerset referred to it in the House of Lords in that year as "a sink of iniquity."[4] His words pained especially the missionary residents of the city, and the Chamber of Commerce considered a formal reply through the foreign secretary, but matters never proceeded beyond the local press. The difficulty was that His Grace was right, and the city's own archives proved it. At the Landrenters' meeting in 1864, Sir Harry Parkes, then British consul at Shanghai, stated that of a total of 10,000 Chinese houses in the International and French Settlements, 668 were brothels, "while opium and gambling houses were beyond counting."[5] Seventy years later in 1934, a local Chinese newspaper estimated that Shanghai led the world's cities in prostitution as a specialty: in London, one person in 960 was a prostitute, in Berlin one in 580, in Paris one in 481, in Chicago one in 430, in Tokyo one in 250, and in Shanghai, one in 130.[6] It was indeed a major commercial enterprise in the city, and the fact that so many people earned their livings thereby stymied all attempts to eradicate or mitigate it. A special commission appointed in 1919 to investigate vice in the city recommended that all brothels be removed in five years, hoping that during that time other means of livelihood might be found. Licenses were issued in 1920 with the understanding that all licenses were to be withdrawn in 1925. But the plan was abandoned before the end of the five-year period as a complete failure. An earlier reform attempt also ended in failure when the first American judge of the United States Court for China arrived in

2: Murphy G-4 (no date) 1953 AF15 East China AF15

SIX

The Political Factor

The opening to foreign trade of ports in China outside Canton required for the first time purely commercial cities of metropolitan size. Within the treaty ports, a blend of Western and Chinese business methods developed under the dominance of foreign commerce and the protection of foreign order which provided entrepreneurs with security of investments and freedom from bureaucratic control for the first time in the history of China. This new economic activity was largely created out of the traditional economy of China, still pre-industrial but highly developed, and it was natural that in each treaty port the presence of foreign traders and their capital attracted Chinese middlemen and merchants to the foreign settlements, where commerce under Western rules and legal protection was more profitable than under traditional conditions elsewhere.

Provided with a merchandizing outlet, the trade of the Yangtze basin flowed in increasing volume through Shanghai and created there a rising structure of Western-style commerce. Risk capital for commercial investment, earned both in the new market of Shanghai and in traditional enterprises in the hinterland, notably in land, became concentrated in the city, where opportunity and security were uniquely combined. For the first time, safe and productive investments were available to capital which under the traditional system was almost exclusively, and unproductively, invested in land. Capital and trade were mutual catalysts in this situation, and when foreign capital was permitted to invest in industry in the treaty ports after 1895, Chinese capital was soon attracted to this further profitable outlet. The marked concentration of China's trade through Shanghai after 1860 had also tended to foster the accumulation of both Chinese and foreign capital in the city, which after 1895 was available for

2: Murphy G-4 (no date) 1953 AF15 East China AF15

454 investment in industry. The political independence of the foreign settlements was a key factor in all of this, as well as in the development in the city of banking, exchange, and an international money market, all profiting from financial enterprises by no means limited to the city's trade and industry but conducted under the advantages of foreign law and of free circulation of foreign and Chinese currencies.

633 441 Trade, industry, and finance thus were given an original impetus and were helped to maintain their mutual and cumulative effect of attraction by Shanghai's political status. Location has, however, been the predominant factor in the growth of the city at every period, and distinguished Shanghai from other treaty ports which, with the same economic opportunity derived from their political status, were rapidly outdistanced by Shanghai. Hong Kong's location was equally favorable at the start (before north China and the Yangtze valley were opened to foreign trade) and the city had the further early advantage of insularity, where full British sovereignty gave to trade the security an entrepôt requires. If political status were the primary factor, Hong Kong would have displaced all its rivals. Hong Kong's trade is still second only to Shanghai's, but following the usual pattern, as commercial development proceeded in the wake of treaties opening new ports and granting new rights to foreigners, a mainland site became increasingly advantageous. At the same time, the center of trade shifted inevitably to its natural focus in the Yangtze basin after the collapse of the artificial Canton system.

A vigorous controversy among foreign and Chinese businessmen in Shanghai over the economic importance of the city's political status was touched off in 1931. The Shanghai Municipal Council (at that time composed of five British, two American, two Japanese, and five Chinese members), had for a decade received increasingly explicit requests from the Shanghai Chinese and from the national government to consider means of returning to China full sovereign rights over the entire city, including the abandonment of extraterritoriality. In 1930 the Council invited the Hon. Mr. Richard Feetham, a judge of the supreme court of the Union of South Africa, to appraise the situation as an impartial investigator and to make detailed recom-

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

A period of reconstruction ensued until the end of 1940. Much of the money of the nearby provinces had found its way into Shanghai banks during the early days of the hostilities. This money early sought employment. There was a building boom in the western district of the Settlement proper which had been free from fighting and which was one of the few areas on the China coast where Chinese industrial enterprises could develop without Japanese control. In 1938 the Government of China retired successively to Hankow and later to Chungking. Many Shanghai Chinese factory owners, while rebuilding in Shanghai, were prepared also to play their part in the industrialisation of interior China which was to be so significant in the succeeding years. Their plants in Shanghai were equally important for the war effort of Free China, however, in the years that intervened between 1938 and the outbreak of Pacific hostilities in 1941. While Hongkong remained open as a port and until through Japanese instigation the Chinese Customs in Shanghai in the autumn of 1941 prevented the export from Shanghai of certain commodities including cotton goods, very heavy shipments month by month left for the south for transport into interior China. Much cargo found its way out of Shanghai by canals and even by human transport, finally penetrating the Japanese lines and reaching the western provinces. The importance of Shanghai as a supply base during almost four years of war can be recognized when the commodity situation in free China in 1942 and later is considered. There were never sufficient consumer goods in the interior even when the trade channels from the coast were open; but the worsening of the situation and the consequent extreme rise in price levels date from the loss of Shanghai products.

In the western district Extra-Settlement area, in the enclaves between Settlement-policed roads, hundreds of new industrial structures began to rise on former vegetable gardens drained by tidal creeks. Over their construction the Shanghai Municipal Council could exercise no authority. These workshops and factories lacked elementary sanitary provisions, and, because the flimsy buildings were of inflammable material, fires were frequent. But as soon as fire had destroyed a building, the indomitable Chinese small industrialist began its reconstruction. Within the limits of the Settlement proper, the reconstruction period was used as far as possible by Public Works and Health Departments, as well as Fire Brigade